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Annual Report
1931

BOARD OF DIRECTORS

HON. C. C. BALLANTYNE	SIR HARRY MCGOWAN, K.B.E.
WINTHROP BRAINERD	ROSS H. MCMASTER
J. THOMPSON BROWN	HAROLD J. MITCHELL
JASPER E. CRANE	LIEUT.-COL. HERBERT MOLSON, C.M.G., M.C.
SIR CHARLES B. GORDON, G.B.E.	ARTHUR B. PURVIS
HARRY G. HASKELL	GEORGE W. WHITE

OFFICERS

<i>President and Managing Director</i>	- - -	ARTHUR B. PURVIS
<i>Vice-President</i>	- - - - -	WINTHROP BRAINERD
<i>Secretary-Treasurer</i>	- - - - -	GEORGE W. HUGGETT

ANNUAL REPORT TO THE SHAREHOLDERS

THE Directors have pleasure in submitting herewith the Twenty-first Annual Report of Canadian Industries Limited, together with the consolidated balance sheet and summary of consolidated income and surplus account for the year ended December 31st, 1931.

FINANCIAL REVIEW

DESPITE the continued decline in business activity, which has been accentuated by world-wide political and financial problems during the past year; and despite the fact that a part of the plant for the new fertilizer activities was not available for use until the autumn, net income from operations declined only $6\frac{1}{2}\%$ as compared with the previous year.

The total net earnings from all sources for the year 1931 after making ample provision for taxes, depreciation and other contingent liabilities, were \$3,433,540.73, as compared with \$3,712,044.42 for the year 1930. This is equivalent, after provision for the preferred stock issue, to \$4.65 per share of common stock as compared with \$5.09 on the slightly lesser number of shares outstanding in 1930.

Regular quarterly dividends at the rate of \$7 per share for the year were paid on the preferred stock, and dividends were declared on the common stock amounting in total to \$4.50 per share.

The investment in plants and equipment as at December 31st, 1931, amounted to \$22,086,504.26, the increase of \$892,275.17 in the year being due to the construction of additional plant facilities. The year-end inventories were in all important cases valued at cost or market price, whichever was lower, and, partly due to declining commodity prices throughout the year, they show a reduction in value of \$463,716.51 as compared with the close of 1930. In general, your Company continues to enjoy an extremely liquid financial position.

In view of the low levels to which most securities have been driven as a result of the universal depression, your Directors have deemed it advisable as a conservative measure to set aside \$1,200,000 out of surplus to form an extraordinary reserve against the depreciation, shown by quoted market values at December 31st, 1931, of the Company's holdings of Government and other marketable securities. Your Directors confidently believe, however, that higher prices for such securities will obtain when more normal conditions return and when the confidence of the investing public is restored.

OPERATING REVIEW

EVEN with the very depressed industrial conditions and the lower price level which prevailed throughout 1931, new activities in which your Company engaged during the year enabled it to maintain practically the same gross dollar value of sales as during the year 1930. Eliminating these newer activities the comparison showed a 6% decrease.

Throughout the year your Company's established policy of maintaining plant facilities in first-class condition was closely followed.

Chemical Group

This Group embraces the manufacture of salt, liquid chlorine and caustic soda, acids and ammonia; and despite the fact that it was necessary to close down some plant units partially or wholly for a considerable part of the year, owing to cessation or falling off in demand for the products there manufactured, substantial progress was made in achieving better operating efficiencies and earnings for the Group as a whole.

A pilot plant for the manufacture of liquid sulphur dioxide at the Hamilton acid plant; an oleum unit at Copper Cliff works; and the addition of facilities for the manufacture of smoked salt at the Sandwich plant, were completed during the year.

Explosives and Ammunition Group

The unfavourable conditions affecting sales of explosives for base metal mining were partially offset by activity in gold mining and in road and other public works construction. The tendency towards higher costs of operation resulting from curtailment in total volume of business available was met by further operating efficiencies, which permitted the resumption during the latter part of the year of the policy of reducing selling prices, a policy which it will be remembered was followed closely throughout the boom period when prices of many other commodities were rising.

While ammunition sales showed a further contraction in 1931, this Division again obtained a greater proportion of the total business available.

Fabrics, Finishes and Pyralin Group

The further decline in the automobile business affected the operations of the three Divisions comprising this Group unfavourably, as these Divisions have always relied on that industry for an important part of their sales volume.

The Fabrikoid Division, however, made very satisfactory progress in establishing new outlets for its products, and the Paint and Varnish Division was able partially to offset the effects of the loss of automobile business by increasing its share of the business of other industrial customers.

Fertilizer Group

The prices obtaining for farm products during 1931 tended naturally towards a restriction in the use of fertilizers, but in spite of this and of the fact already mentioned that part of the plant capacity only became available late in the year, a large volume of sales was enjoyed. While dumping of super-phosphate into Canada still continues, it is believed that with the greater plant facilities now available, with the progress achieved during the past year in distribution arrangements, and with the advantages to be gained from the inter-relation of this with other activities, your Company is from now onwards well placed to occupy an important position in this industry.

A new super-phosphate plant at Hamilton to be run in conjunction with the dry-mixing unit already established there was completed in the autumn of the year.

Viscose Group

Arrangements were completed with the du Pont Cellophane Company to acquire the Canadian rights for the manufacture of Cellophane, a transparent moistureproof wrapping material, the basic substance used in its manufacture being wood pulp. Your Company engaged in the resale of this product as from August 1st, 1931, and a plant for its manufacture, which it is anticipated will be in production in the spring of 1932, is now being constructed at Shawinigan Falls, Quebec.

This new venture, based as it is upon raw materials available in Canada and meeting a constantly increasing demand, should in due course become an important addition to your Company's operations.

ORGANIZATION

WITH the addition of the new Viscose Group, your Company is now operating five industrial Groups comprising eleven Divisions.

No change was made in the Departments serving the operating Groups, except that the services of the Secretarial and Accounting Departments were placed under unified control by the appointment of a Secretary-Treasurer.

INDUSTRIAL RELATIONS

THE plans adopted by your Company providing for death benefits and pensions, stock subscriptions, bonus awards, etc., established for the purpose of promoting the well-being of the Company's employees, have continued in force with satisfactory results. It was, however, deemed advisable under existing conditions to postpone an offering of the Company's preferred stock which would normally have been made to employees during the year.

Every endeavour was made to maintain a steady level of employment in your Company's operations, and methods of mitigating distress due to lack of work have been put into force wherever possible.

Very satisfactory progress has been made in accident prevention work, there having been a marked reduction in the number of accidents; and noteworthy advances in protecting the Company's property against fire and other hazards were also effected.

INVESTMENTS

INCOME from investments declined approximately 10% as compared with the previous year. This decline can be attributed to the elimination of the special dividend received in 1930 on the Company's stock-holding in General Motors Corporation; to a reduction in outside investments resulting from the necessity of providing funds for additional plant facilities; to lower rates of interest on bank deposits and call loans; and to increased taxation on interest and dividends received.

The General Motors Corporation maintained its regular dividend of \$3.00 per share, while the Canadian Safety Fuse Company, Limited, in which your Company holds a controlling stock interest, continued to contribute satisfactory dividends.

No dividends were available from your Company's minority stockholding in the Dunlop Tire and Rubber Goods Company, Limited, that Company, in line with the general experience in the industry, having encountered a poor year.

PERSONNEL

YOUR Directors wish to record their appreciation of the efforts put forth by the entire staff in a year which has been generally recognized as one of adversity. The loyalty and co-operation shown in meeting the various problems which arose enable your Directors to reaffirm their faith in the future progress of the Company.

On behalf of the Board of Directors,

ARTHUR B. PURVIS,

President and Managing Director

Montreal, Canada, February 11th, 1932

CONSOLIDATED BALANCE SHEET

DECEMBER 31st, 1931

ASSETS

CURRENT ASSETS:

Cash.....	\$ 1,361,106.54*
Government Securities.....	5,774,178.83
Other Marketable Securities.....	1,930,166.62
Call Loans.....	195,000 00
Notes Receivable.....	32,236.72
Accounts Receivable (less reserve for doubtful accounts).....	2,094,883.95

Customers' Accounts.....\$1,825,965.80
Other Accounts..... 268,918.15

Inventories.....4,598,898.22

\$15,986,470.88
140,529.19

DEFERRED CHARGES.....

INVESTMENTS:

Securities held for Investment.....	\$ 3,967,091.57
Securities held in Trust for Employees' Welfare Plans.....	1,616,655.54

\$ 5,583,747.11

FIXED ASSETS:

Plants, Equipment and Real Estate.....	\$22,086,504.26
Goodwill, Patents and Processes.....	3,566,048 64

\$25,652,552.90

TOTAL ASSETS.....\$47,363,300.08

* U.S. Funds \$326,769.81

LIABILITIES

CURRENT LIABILITIES:

Accounts Payable.....	\$ 597,658.11*
Federal Taxes.....	340,029.54
Dividends Declared.....	1,166,696.25
Deferred Credits.....	60,642.34
	<u>\$ 2,165,026.24</u>

TRUST NOTES OUTSTANDING:

Canadian Salt Equipment Co. Ltd., Trust Notes (maturing 1932-1933).....	\$ 28,000.00
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RESERVES:

Depreciation of Government and other Securities.....	\$ 1,200,000.00
Depreciation of Plants and Equipment.....	7,388,237.88
Accidents, Pensions and Benefit Plans.....	1,877,013.44
	<u>\$10,465,251.32</u>

CAPITAL STOCK AND SURPLUS:

	Shares Authorized	Shares Issued	
Preferred Stock (7% Cumulative).....	75,000	46,500	\$ 4,650,000.00
Common Stock (No Par Value):			
Class A Voting.....	660,000	615,974	18,826,101.66
Class B Non-Voting.....	690,000	51,916	
Surplus.....			<u>11,228,920.86</u>
			<u>\$34,705,022.52</u>

TOTAL LIABILITIES.....

	<u>\$47,363,300.08</u>
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* U.S. Funds \$77,178.56

CONSOLIDATED INCOME AND SURPLUS ACCOUNT

	Income from Operations	Income from Investments	Profit on Realization of Assets	Total Income
Surplus as at January 1st, 1931.....	\$ 2,410,952.12	\$ 553,053.03	\$ 9,436,961.47	\$12,400,966.62
Net Earnings during 1931.....	2,529,928.23	875,817.36	27,795.14	3,433,540.73
	<u>\$ 4,940,880.35</u>	<u>\$ 1,428,870.39</u>	<u>\$ 9,464,756.61</u>	<u>\$15,834,507.35</u>
Less Dividends paid or accrued.....	2,496,130.00	834,857.50	—	3,330,987.50
7% Preferred Stock.....	\$ 325,500.00			
Common Stock.....	3,005,487.50			
Total.....	<u>\$3,330,987.50</u>			
Less Additional Income Tax for 1930.....	62,204.85	12,394.14	—	74,598.99
Less Provision for Depreciation of Government and other Securities.....	—	—	1,200,000.00	1,200,000.00
Surplus as at December 31st, 1931.....	<u>\$ 2,382,545.50</u>	<u>\$ 581,618.75</u>	<u>\$ 8,264,756.61</u>	<u>\$11,228,920.86</u>

MONTREAL, 8th February, 1932

*To the President and Shareholders,
Canadian Industries Limited,
Montreal*

GENTLEMEN:

We have audited the books of account and financial records of Canadian Industries Limited and Subsidiary Companies for the year ended 31st December, 1931.

The Inventories of Raw Materials and Supplies, Goods in Process and Finished Products have been certified to be correct by a responsible official of your Company.

Investment Securities are carried on the Balance Sheet as at 31st December, 1931, at their book value of \$3,967,091.57, which is less than the approximate market value of these securities as at that date. Government and other Bonds are carried on the Balance Sheet as at 31st December, 1931, at their book value of \$7,704,345.45. The reserve for depreciation of these Bonds, set up as at that date and amounting to \$1,200,000.00, is adequate to provide for the estimated depreciation in their market value.

We certify that, in our opinion, the Consolidated Balance Sheet as at 31st December, 1931, signed by us, sets forth correctly the financial position of the Company as at that date and the relative Profit and Loss Account is a correct statement of the results from operations for the year ended that date, according to the information and explanations given to us and as shown by the books of the Company.

All our requirements as auditors have been complied with.

P. S. ROSS & SONS,
Chartered Accountants

CANADIAN INDUSTRIES LIMITED

CHEMICAL GROUP

Acids and General Chemicals Division

Acids; Heavy Chemicals; Rubber and Mining Chemicals

Dyestuffs Division

Dyestuffs and Intermediates

Salt and Alkali Division

Salt; Caustic Soda; Chlorine; Synthetic and By-Product Ammonia

EXPLOSIVES AND AMMUNITION GROUP

Ammunition Division

Shot-Shells; Metallic Cartridges and Primers; Railway Fusees and Signals, etc.

Explosives Division

Commercial Explosives and Accessories

FABRICS, FINISHES AND PYRALIN GROUP

Fabrikoid Division

Fabrikoid (for use in place of leather) and Rubber-coated Fabrics; Tontine Window-shade Cloth, etc.

Paint and Varnish Division

Varnishes and Enamels; Oil Colours; Industrial Paints; "Duco" for Industrial and Household Uses (Sole Canadian Manufacturers), etc.

Pyralin Division

Pyralin Combs; Tooth-Brushes; Toiletware; Cleanable Collars

FERTILIZER GROUP

Eastern and Western Divisions

Superphosphate; Complete Fertilizers; Insecticides, etc.

VISCOSE GROUP

Cellophane Division

Plain transparent, moistureproof transparent and other specially designed grades of Cellophane

